



CITY OF CARSON

Legislation Text

File #: 2018-865, Version: 1

Report to Mayor and City Council

Tuesday, December 04, 2018

Consent

SUBJECT:

CONSIDER APPROVING RESOLUTION 18-165 AUTHORIZING THE HOUSING AUTHORITY OF THE COUNTY OF LOS ANGELES TO ISSUE BONDS IN AN AMOUNT NOT TO EXCEED \$8,000,000 AND MAKE OR ACQUIRE MORTGAGE LOAN(S) IN CONNECTION WITH A RESIDENTIAL DEVELOPMENT IN THE CITY OF CARSON, THE CARSON TERRACE SENIOR HOUSING PROJECT (CITY COUNCIL)

I. SUMMARY

This resolution authorizes the Housing Authority of Los Angeles County (“HACoLA”) to issue tax exempt bonds toward the efforts to refinance and rehabilitate the Carson Terrace Apartments, a 63-unit senior apartment building providing housing for tenants with extremely low incomes, since the property is in the City’s jurisdiction, Exhibit No. 1.

At the December 18, 2017 meeting of the City Council Housing Subcommittee, the committee discussed a proposal to refinance and rehabilitate the Project. The property is currently owned and managed by the Los Angeles Housing Partnership (LAHP). The proposed transaction will consist of a sale to a new partnership headed by The Richman Group (TRG), and the refinancing and rehabilitation of the building to make the necessary repairs and energy efficiency upgrades. TRG, as the new managing partner, and LAHP as the administrative general partner, will provide new property management and financial stability to benefit the current residents and community.

Based on the Committee feedback, staff had recommended that some assistance toward the rehabilitation, in the amount of \$385,000, be funded out of the City’s 2018-19 CDBG allocation. Such request was included in the July 17, 2018 City Council staff report discussing the allocation of CDBG funds. City Council did not approve the use of CDBG funds for the project, however, and instructed staff to work with TRG on other funding opportunities, including the possibility of the same amount being funded from the Carson Housing Authority rather than CDBG.

Since the July meeting, staff and TRG have been working on a number of funding scenarios including partnering with HACoLA. The developer is still anticipating that HACoLA may issue a NOFA for capital subsidy and allocation of project-based vouchers.

In the meantime, HACoLA has agreed to be the issuer of new tax exempt bonds on the project through a multifamily rental housing finance program, and has determined that it is necessary to cooperate with the City of Carson pursuant to Chapter 1 of Part 2 of Division 24 of the Health and Safety Code of the State of California (the "Act"), which requires that the City consent to HACoLA's approval of the bonds. These are not local City bonds, as they will be issued and serviced by HACoLA at no cost to the City or Carson residents.

There is some time sensitivity for this approval. On October 29, 2018, the California Debt Limit Allocation Committee (CDLAC) sent a memorandum to potential bond applicants advising them of a December 14, 2018 deadline for bond applications under the Difficult Development Areas (DDAs) and Qualified Census Tracts (QCT) criteria, in order to preserve their DDA and QCT eligibility, as new DDAs and QCTs will become effective on January 1, 2019. Projects that qualify under DDAs and QCTs are eligible for a 30 percent boost under the Housing Credit program, a significant incentive, Exhibit No. 2.

Upon receipt of applications, CDLAC will determine whether applications are complete prior to the expiration of the current year's DDA status by December 31, 2018. CDLAC will allow applicants 18 months to secure a CDLAC allocation.

This action does not approve any City or Carson Housing Authority funds toward the project, but rather allows the developer to work with HACoLA on bond financing for a major portion of the project. There are amendments to the original OPA that would be helpful in restructuring the financing; however, OPA amendments or future Carson Housing Authority assistance requests will come at a future meeting.

II. RECOMMENDATION

1. WAIVE further reading and adopt Resolution No. 18-165, AUTHORIZING THE HOUSING AUTHORITY OF THE COUNTY OF LOS ANGELES TO ISSUE BONDS IN AN AMOUNT NOT TO EXCEED \$8,000,000 AND MAKE OR ACQUIRE MORTGAGE LOAN(S) IN CONNECTION WITH A RESIDENTIAL DEVELOPMENT IN THE CITY OF CARSON.
2. AUTHORIZE the Mayor to execute the Resolution or any associated documents, in a form acceptable to the City Attorney.

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III. ALTERNATIVES

TAKE other action as deemed appropriate.

IV. BACKGROUND

In 1999, the former Carson Redevelopment Agency entered into an Owner Participation

Agreement (OPA) with Carson Terrace, L.P., to assist with the construction of the Carson Terrace Senior Housing Project.

The project consists of 62 affordable units located at 632 East 219th Street, Carson, California. The project was financed with 4% Low Income Housing Tax Credits, tax exempt bonds, a loan from the former RDA, and RDA rental subsidy. As of 2016, the project's 15 year Tax Credit compliance period ended, allowing the seller to sell the project as well as use tax exempt bonds and 4% Tax Credits to finance an acquisition and rehabilitation of the project.

During recent years, however, building operations have experienced increased draws on depleted reserves for building maintenance, and revenues associated with the extremely low incomes have not kept pace with growing operational expenses, thereby leading to some deteriorated conditions at the Project.

The proposed Project is to sell and recapitalize the project to ensure continued economic sustainability, and undertake a significant rehabilitation of the units, public spaces and exterior. The proposed buyer, TRG, has submitted an application to HACoLA to secure tax exempt bonds up to \$5.12 million and requesting 4% Tax Credits of approximately \$3.61 million from TCAC. In addition, TRG has secured a loan from the Affordable Housing Program-Federal Home Loan Bank (AHP) in the amount of \$550,000 for Capital Funding, which will assist with the rehabilitation of the building.

At the developer's request, HACoLA is willing to issue tax exempt bonds on behalf of the project. This resolution states that the City of Carson consents to the issuance of bonds by HACoLA pursuant to a financing plan in an amount not to exceed \$8,000,000 to make or acquire mortgage loans under the Program and further agrees that HACoLA may exercise any or all of its powers for the purpose of financing mortgage loans with respect to the Project in Carson.

These are County bonds issued on behalf of the Project, so nothing in the resolution binds the City of Carson to make any expenditure or to incur indebtedness in relation to the Program or the revenue bonds referred to above.

The timeliness issue is discussed in the Summary Section above as determined by CDLAC. CDLAC will provide flexibility in updating documentation originally submitted December 14, 2018 prior to the application deadline of the Specified Round, which is the bond allocation round specified by the applicant in its application. After December 14, 2018, it will not be possible to add additional units or sites, propose income targeting that is at higher levels than originally submitted, introduce new unit sizes not already included in the project, or to alter the project in such a manner that the original Inducement Resolution would no longer be valid after the application deadline.

V. FISCAL IMPACT

The approval of this resolution has no fiscal impact to the City or the Housing Authority.

VI. EXHIBITS

1. Resolution18-165 (pgs. 5-7)
2. California Debt Limit Allocation Committee Memorandum dated October 29, 2018 (pgs. 8-9)

Prepared by: Debra Scott, Housing Rehabilitation Finance Counselor